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BRITISH
AMERICAN
BANK NOTE
COMPANY LIMITED



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ANNUAL REPORT 1969

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BRITISH AMERICAN BANK NOTE COMPANY LIMITED

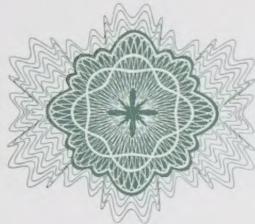


ANNUAL REPORT 1969

*The Annual General Meeting of Shareholders
will be held at the Head Office of the Company
975 Gladstone Avenue, Ottawa 3, Ontario at
11:00 A.M. April 21, 1970*



BRITISH AMERICAN BANK NOTE COMPANY LIMITED



DIRECTORS. OFFICERS.

DIRECTORS

H. M. BOYCE
Vancouver

*G. HAROLD BURLAND, M.C., C.D.
Ottawa

IAN DOUGLAS, C.D., Q.C.
Toronto

Hon. GEORGE B. FOSTER, D.F.C., M.B.E., Q.C.
Montreal

J.-CLAUDE HEBERT, D.F.C.
Montreal

Hon. JEAN RAYMOND, Q.C. (deceased)
Montreal

*KENNETH S. SARGENT
Ottawa

JAMES M. TORY, Q.C.
Toronto

*A. MURRAY VAUGHAN, C.C.
Montreal

MRS. L. M. VAUGHAN
Montreal

*R. P. WHITE, O.B.E., V.R.D.
Ottawa

*EXECUTIVE COMMITTEE

OFFICERS

A. MURRAY VAUGHAN, Chairman and Chief Executive Officer

R. P. WHITE, President

KENNETH S. SARGENT, Vice President and General Manager

R. BROCK YOUNG, Vice President Marketing

GORDON C. LESLIE, Assistant General Manager

CLARE V. VAUGHAN, Controller and Chief Financial Officer

JOHN M. BRADY, Treasurer

REGINALD F. BLANDFORD, Secretary

TRANSFER AGENT

The Royal Trust Company

Montreal, Toronto and Vancouver

REGISTRAR

Montreal Trust Company

Montreal, Toronto and Vancouver

AUDITORS

Touche Ross & Co.

BRITISH AMERICAN BANK NOTE COMPANY LIMITED



CHAIRMAN'S REPORT

Your Directors submit herewith the consolidated financial statements for the Company's 103rd year ended December 31, 1969 as reported on by the Company's auditors, Touche Ross & Co.

During the year the Company's 150,000 common shares were subdivided on a three for one basis and the authorized capital was increased by the creation of an additional 150,000 shares so that the authorized capital consists of 600,000 common shares of no par value of which 450,000 are outstanding. Per share figures used in this report, including 1968 comparative figures, are all based on 450,000 shares outstanding.

Sales continued to increase in 1969. Consolidated earnings for the year 1969 were \$517,780 or \$1.15 per share compared to \$504,596 or \$1.12 per share for 1968. During the year quarterly dividends of 20c. per share were paid in March, June and September. A quarterly dividend of 22c. per share and an extra dividend of 10c. per share were paid in December. Total dividends were 92c. per share.

The year ended with current assets of \$2,426,873 and current liabilities of \$899,282. Working capital was \$1,527,591, a slight increase over last year.

Earnings for 1969 improved as forecast. In 1970 rapidly increasing labour, raw material and other manufacturing costs will be a major factor, however, we are optimistic about the overall outlook and improved earnings should result.

Mr. Ross Clarkson and Mr. Barry German retired from the Board of Directors on September 30, 1969. Mr. Clarkson had been a Director since 1940 and Mr. German since 1950, both contributed greatly to the progress and growth of the Company.

Mr. Ian Douglas, C.D., Q.C., a Senior Partner in the law firm of McCarthy & McCarthy, Toronto and Mr. J.-Claude Hébert, D.F.C., President, Warnock-Hersey International Limited, Montreal, were appointed to the Board of Directors on November 20, 1969.

It is with sincere regret we record the death of Hon. Jean Raymond, Q.C., on February 7, 1970. Mr. Raymond was first appointed to the Board of Directors in April 1963. His valued counsel will be missed.

On behalf of the Directors it is a pleasure to pay tribute to the loyal and efficient service of the Company's officers and employees.

Chairman and Chief Executive Officer

February 17, 1970.

BRITISH AMERICAN BANK NOTE COMPANY LIMITED



PRESIDENT'S REPORT TO THE SHAREHOLDERS

Your Company continued to make significant progress in 1969. Orders received from the Federal Government, Provincial Governments, the Bank of Canada and our many corporate customers across Canada were the highest ever recorded.

The Company's business is security printing with products in four categories:

- Bank Notes
- Bonds and Stock Certificates
- Postage and Revenue Stamps
- Monetary and Financial Documents and Forms.

Marketing

Our aim to provide all security and financial documents required across the country by corporations, investment dealers, banks and trust companies, has been achieved. Regional proofing and fast delivery of most types of documents are available to our customers. The program to develop regional plants under strict security controls to meet the demands of the financial community has been completed. Three examples of the service available are:

Mining certificates can be printed and delivered within two days in Vancouver.

A new supply of cheques from our plant in Calgary can reach banks' customers in Alberta and British Columbia in three to five days.

Prospectuses and proofs in Toronto can be prepared for underwriters and lawyers over night.

Our customers who for many years have been supplied with such security documents as:

- Share Certificates
- Warrants
- Bonds and Debentures
- Travellers' Cheques
- Money Orders
- Dividend Cheques
- Cash Bonus Coupons

can now be supplied with many other financial documents, including:

- Annual and Interim Reports
- Prospectuses
- Trust Deeds
- Personalized Cheques
- Order Forms
- Statements of Fact
- Proxies.

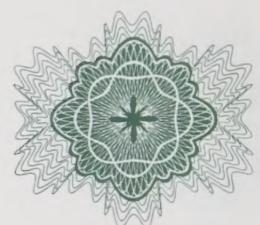
The Franklin Press Limited, Toronto

This Company is providing a financial printing service in the Toronto area as well as printing numerous bond and debenture issues for municipalities in Ontario. In May 1969 the Company moved to larger premises at 193 King Street East in downtown Toronto and its facilities are being extended to meet the expanding needs of the financial community, including the printing of personalized cheques.

Alberta Security Printing, Calgary

Operations started in January 1969 providing personalized cheques to customers in Western Canada. The plant in West Calgary was doubled in area within six months because of the large volume of cheques being processed. Facilities to print other security and financial documents are available here to meet the needs of customers in Alberta.

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Security Printing Corporation, Vancouver

Our interest in this Company was increased to 75% in 1969. The rapid growth of the activities of the Vancouver Stock Exchange have produced a good volume of sales of specialized printing. The location of the plant in downtown Vancouver is a factor in ensuring continued growth and existing facilities are being extended to meet our customers' requirements. This Company is able to provide immediate service in the printing of mining certificates, certificates of local industries making public offerings and all other financial forms required in the underwriting of a public issue.

Quebec

A sales agreement with Yvon Boulanger Limitée augments the service available in the Province of Quebec through our Montreal Office. This Company prints bonds, certificates and cheques for the Provincial Government, Municipalities and Companies in the Province of Quebec. Many of their products have basic engraved printings for security against counterfeiting which are supplied from our plant in Ottawa and are completed at Yvon Boulanger Limitée.

Research and Development

The Company is always taking advantage of current research and development in the manufacture of printing presses and associated equipment to enable it to maintain and improve its competitive position in the financial printing field. We are optimistic that good progress will be made in all operating areas in the year ahead.

Personnel

The men and women who work for the Company have all been extremely busy in this period of rapid change and increasing volume. Their loyalty and the capable manner in which they fulfilled their various assignments has made a real contribution to improved efficiency. The Company could not exist without the support of an active and energetic staff many of whom have exceptionally long service.

Order of Canada

On June 28, 1969 of the appointments made to the Order of Canada published in The Canada Gazette one was awarded to the Chairman of the Board and one to a former member of the Board of Directors. The Governor General with the approval of Her Majesty the Queen appointed the following to be Companions of the Order of Canada:

A. Murray Vaughan

The late Charles S. Band.

The officers of the Company are justifiably proud of this important recognition.

RP White.

President

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CONSOLIDATED
BALANCE SHEET
AS AT DECEMBER 31, 1969

ASSETS

	1969	1968
CURRENT		
Cash.....	\$ 127,446	\$ 191,974
Accounts receivable	692,329	644,815
Marketable securities - at cost (approximate market value - 1969 \$468,500; 1968 \$501,000)	614,694	614,047
Inventories of raw materials, work in process and finished stock, valued at the lower of cost or net realizable value	992,404	961,190
	<hr/> 2,426,873	<hr/> 2,412,026
OTHER		
Investments - at cost	68,750	76,250
Deferred past service pension costs (Note 2)	269,182	382,730
Prepaid charges	107,347	103,678
Special refundable tax	22,819	26,560
	<hr/> 468,098	<hr/> 589,218
FIXED - at cost		
Building, land, furniture, equipment and engraved stock	6,065,946	5,823,705
Less accumulated depreciation	4,325,774	4,103,277
	<hr/> 1,740,172	<hr/> 1,720,428
Excess of cost of shares of subsidiary companies over the book amount of their net assets at the dates of acquisition	201,927	108,562
	<hr/> \$4,837,070	<hr/> \$4,830,234

On behalf of the Board:

A. MURRAY VAUGHAN, Director

R. P. WHITE, Director

LIABILITIES

CURRENT

	<u>1969</u>	<u>1968</u>
Bank loan	\$ 300,000	\$ 200,000
Accounts payable and accrued liabilities	404,533	438,199
Income taxes payable (Note 3)	116,077	177,176
Sales taxes payable	78,672	94,470
	<hr/> 899,282	<hr/> 909,845
DEFERRED INCOME TAXES (Note 3)	320,000	426,000
MINORITY INTEREST	11,326	-

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)

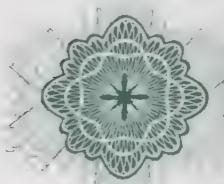
Authorized - 600,000 shares of no par value

Issued and fully paid - 450,000 shares of no par value	300,000	300,000
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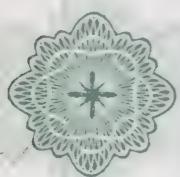
RETAINED EARNINGS

<u>3,306,462</u>	<u>3,194,389</u>
<u>3,606,462</u>	<u>3,494,389</u>
<u>\$4,837,070</u>	<u>\$4,830,234</u>
<u><hr/></u>	<u><hr/></u>

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CONSOLIDATED STATEMENT
OF EARNINGS FOR THE YEAR
ENDED DECEMBER 31, 1969

CONSOLIDATED STATEMENT
OF RETAINED EARNINGS
FOR THE YEAR ENDED
DECEMBER 31, 1969

	1969	1968
Earnings from operations before deducting the expenses shown below	<u>\$1,397,722</u>	<u>\$1,315,643</u>
Depreciation	295,868	334,804
Directors' remuneration as director or officer	<u>113,043</u>	<u>105,750</u>
	408,911	440,554
Net earnings from operations	988,811	875,089
Investment income	50,141	94,195
Other income	<u>8,334</u>	<u>9,501</u>
	1,047,286	978,785
Provision for income taxes (Note 3)	529,050	474,189
Minority interest	<u>456</u>	<u>—</u>
	529,506	474,189
Earnings for the year	<u>\$ 517,780</u>	<u>\$ 504,596</u>
Earnings per share	<u>\$ 1.15</u>	<u>\$ 1.12*</u>
*Adjusted for stock split (Note 4)		
	1969	1968
Balance at beginning of year	\$3,194,389	\$3,079,793
Share of earnings of subsidiary companies earned prior to acquisition of control	8,293	—
Earnings for the year	<u>517,780</u>	<u>504,596</u>
	3,720,462	3,584,389
Less dividends paid	<u>414,000</u>	<u>390,000</u>
Balance at end of year	<u>\$3,306,462</u>	<u>\$3,194,389</u>

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CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED
DECEMBER 31, 1969

SOURCE	1969	1968
From operations		
Earnings for the year	\$ 517,780	\$ 504,596
Amounts charged against earnings not requiring an outlay of funds		
Depreciation	295,868	334,804
Amortization of deferred past service pension costs (Note 2)	113,548	108,452
	927,196	947,852
Share of earnings of subsidiary companies earned prior to acquisition of control	8,293	-
	935,489	947,852
APPLICATION		
Dividends	414,000	390,000
Purchases of fixed assets - net	315,540	658,850
Excess of cost of investment in subsidiary companies over equity in net book value of assets acquired	74,539	-
Purchase of investments	-	7,500
Increase in other non-current assets	-	15,426
Decrease in deferred income taxes (Note 3)	106,000	120,000
	910,079	1,191,776
Increase (decrease) in working capital	25,410	(243,924)
Working capital at beginning of year	1,502,181	1,746,105
Working capital at end of year	\$1,527,591	\$1,502,181

AUDITORS'
REPORT

The Shareholders
British American Bank Note Company Limited
Ottawa, Ontario

We have examined the consolidated balance sheet of British American Bank Note Company Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principals applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Ottawa, Ontario, February 4, 1970

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NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. **Subsidiary Companies**

These consolidated financial statements include the accounts of British American Bank Note Company Limited (incorporated under the Canada Corporations Act) and its subsidiaries whose financial statements are not published:

Wholly Owned

- The Franklin Press Limited (incorporated under The Corporations Act - Ontario)
- Compagnie de Billets de Banque Québec Ltée - Quebec Bank Note Company Ltd. (incorporated under the Quebec Companies Act)

Partly Owned (control acquired during 1969)

- Insta Print Ltd. and its wholly-owned subsidiary, Security Printing Corporation Ltd. (both incorporated under the British Columbia Companies Act).

2. **Deferred Past Service Pension Costs**

Under a valuation made in 1968 there existed at January 1, 1969 a balance of a surplus in the fund amounting to \$49,000 which was used during 1969 to offset the current service pension costs. This amount together with the annual amortization for past service costs of \$64,500 were charged against income in 1969 and reduced the balance of this account to \$269,182.

3. **Income Taxes**

Income taxes on consolidated earnings of \$1,047,286 have been provided for in the accounts in the amount of \$529,050 and are less than income taxes currently payable by \$106,000 (1968 income taxes payable exceeded income taxes provided by \$120,000).

This increase in taxes currently payable has been charged against deferred income taxes in the balance sheet and arises from the following:

- a) The depreciation provided in the accounts exceeds the maximum capital cost allowances allowable for income tax purposes, resulting in an increase in income taxes currently payable of \$48,000.
- b) The reflection in the accounts of a portion of pension costs, referred to in Note 2, which were claimed for income tax purposes when paid, resulting in an increase in income taxes currently payable of \$58,000.

The effect on deferred income taxes is as follows:

Deferral Resulting From	Balance December 31 1968	Change in 1969	Balance December 31 1969
Capital cost allowances in excess of depreciation provided in the accounts	\$230,000	\$ (48,000)	\$182,000
Pension costs claimed for income taxes when paid	196,000	(58,000)	138,000
	<u>\$426,000</u>	<u>(\$106,000)</u>	<u>\$320,000</u>

4. **Capital Stock**

On July 29, 1969 a by-law was enacted subdividing the outstanding 150,000 common shares of the Company on a three for one basis and increasing the capital of the Company by the creation of an additional 150,000 shares so that the authorized capital consists of 600,000 shares of which 450,000 are outstanding. The by-law was confirmed by the shareholders on September 9, 1969 and confirmed by Supplementary Letters Patent dated September 11, 1969.

5. **Disclosure of Sales**

By an order made pursuant to Section 117 (1) (a) of the Canada Corporations Act, the company is authorized to omit the amount of sales or gross revenue derived from its operations from its financial statement to be laid before the next annual meeting of shareholders.

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SALES OFFICES
& DIVISIONS

PRODUCTS

SALES OFFICES

MONTREAL

2135 Drummond St.

W. M. PRICE - Manager

TORONTO

67 Yonge St.

R. D. JOHNSON - Manager

DIVISIONS

TORONTO - *THE FRANKLIN PRESS LIMITED*

193 King St. E.

D. H. M. VAUGHAN - General Manager

CALGARY - *ALBERTA SECURITY PRINTING*

2005 10th Ave. S.W.

D. MacRAE - Manager

VANCOUVER - *SECURITY PRINTING CORPORATION LTD.*

822 Homer St.

P. LINDSELL - President

PRODUCTS

bank notes

postage stamps

revenue stamps

share certificates

warrants

bonds and debentures

travellers' cheques

money orders

dividend cheques

cash bonus coupons

promissory notes

annual and interim reports

prospectuses

trust deeds

personalized cheques

order forms

statements of fact

proxies

and many other financial documents

